

MODEL GOVERNANCE PRINCIPLES FOR AUTHORITIES

1. The Public Authority Board – Training

- Board members shall receive appropriate training regarding their legal, fiduciary and ethical responsibilities as directors of a public agency.

2. The Public Authority Board – Separating Oversight and Executive Functions

- The primary responsibility of the board of directors shall be overseeing the authority's chief executive and other senior management in the effective and ethical management of the authority.
- The board shall understand, review and monitor the implementation of fundamental financial, management and operational decisions of the authority.
- The chair of the board of directors shall not be a member of management and shall be charged with leading the board's oversight role, including setting the board's agenda, managing the flow of information to the board, coordinating the work of the board's committees and serving as the primary liaison between the board and senior management.
- The day-to-day management responsibilities of the authority shall be vested in a separate chief executive who serves at the pleasure of the board.
- The board of directors shall establish policies regarding the payment of salary, compensation and reimbursements to, and establish rules for the time and attendance of, the chief executive and senior management of the authority.

3. The Public Authority Board – Establishing a Coordinated Committee Structure

- The authority's board shall establish board committees with clearly defined responsibilities pursuant to a written charter.
- Every authority shall have a governance committee and an audit committee comprised entirely of independent members. A member shall be deemed "independent" if he or she is (a) not employed by the authority, (b) not employed by a state or local government and (c) not employed by an entity, public or private, that is, or is likely, to do business with the particular authority.

4. The Public Authority Board – Renewed Focus on Governance & Ethics

- The responsibilities of the governance committee shall include establishing policies to promote honest and ethical conduct by authority directors, officers and employees and enhance public confidence in the authority.
- The governance committee shall review and regularly update the authority's code of conduct and written policies regarding conflicts of interest. Such code of conduct and policies shall be at least as stringent as the laws, rules, regulations and policies applicable to state officers and employees.
- The governance committee shall review and regularly update the authority's written policies regarding procurement of good and services and the acquisition of real property or interests therein, including policies relating to the implementation of Executive Order No. 127 and the disclosure of persons who attempt to influence the authority's procurement process.
- The governance committee shall review and regularly update the authority's written policies regarding the disposition of real and personal property.
- The governance committee shall review and regularly update the authority's written policies regarding the protection of whistleblowers from retaliation.

5. The Public Authority Board – Renewed Focus on Audits and Accountability

- The responsibilities of the audit committee shall include:
 - (1) reviewing and approving the authority's financial statements;
 - (2) overseeing the authority's internal controls and compliance systems;
 - (3) appointing, compensating and overseeing outside auditors retained by the authority;
 - (4) resolving disagreements with respect to, and overseeing compliance with, accounting policies and principles;
 - (5) reviewing management reports on internal controls and the attestation of such reports by the authority's outside auditors; and

(6) investigating compliance with the authority's policies and/or referring instances of non-compliance to the State Inspector General (or, where applicable, the authority's Inspector General) for investigation.

- The audit committee shall establish procedures for the receipt, retention, investigation, and/or referral to the State Inspector General (or, where applicable, the authority's Inspector General) of complaints received by the authority regarding accounting, internal controls, and auditing.
- The audit committee shall establish policies and procedures to ensure that every director, officer and employee of the authority shall report promptly to the State Inspector General (or, where applicable, the authority's Inspector General) any information concerning allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers or employees of the authority or any persons having business dealings with the authority. The audit committee shall review all reports and draft reports delivered by the State Inspector General (or, where applicable, the authority's Inspector General) to the authority and shall serve as appoint of contact with such Inspector General.
- The authority shall ensure that the audit committee has access to sufficient resources to carry out its duties.
- Insofar as practicable, at least one member of the audit committee should be a "financial expert" and this shall be disclosed in the annual report of the authority.

6. *Internal Auditors and Outside Auditors – Strengthening Internal Controls*

- The Authority shall have an internal auditor with clearly defined responsibilities who shall report directly to the audit committee and serve at its pleasure.
- The responsibilities of the internal auditor shall include directing authority-wide internal audit functions, including conducting financial, operational, procurement, compliance, contract, ethics, and any other necessary audits. In addition, the internal auditor shall coordinate its work with the work of the outside auditors retained by the audit committee.

- The board, acting through its audit committee, shall engage an independent auditing firm to audit the financial statements, internal controls, compliance, and operations and management of the authority on a regular basis.
- An outside auditor retained by an authority shall be prohibited from providing non-audit services to the authority.
- The chief executive, chief financial officer and auditor director shall not have been employed by the authority's outside auditors during the two year period preceding the audit.

7. Transparency and Disclosure

- The authority should file an annual operational and financial report, modeled on the reports filed by publicly held companies pursuant to the federal securities laws, so as to accurately present to the public with financial condition and results of operation of the authority including a comparison of actual financial results versus financial projections. These reports and other information concerning the finances of the authority shall be available to the public on the Internet.
- Each board member shall sign the authority's annual report.
- The chief executive, chief financial officer, the audit director and other senior management of the authority shall certify the appropriateness of the financial statements and disclosures contained in the authority's report, and that those financial statements and disclosures fairly present, in all material respects, the operations and financial condition of the authority.
- Each annual report of an authority shall contain an "internal control report," signed by the chief executive, chief financial officer, audit director and other senior management of the authority, which shall state the responsibility of management for establishing and maintaining an adequate internal control structure and procedures for financial reporting, and contain an assessment of the effectiveness of the internal control structure and procedures of the authority for financial reporting. The authority's auditor shall attest to, and report on, such assessment, and the audit committee shall review and approve such report.